

MARYLAND INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY

Thomas H. Mullaney, *Chair*, 1997

Bernard Koman, *Vice-Chair*, 1997

Arthur S. Drea, Jr., *Executive Director & Secretary*
(410) 767-6380

The Maryland Industrial Development Financing Authority was created in 1965 (Chapter 714, Acts of 1965). The Authority assists businesses seeking to locate or expand operations in Maryland. Financial aid is offered through four loan-financing programs: Traditional Bond; Conventional Loan; Maryland Enterprise Incentive Deposit Fund; and Maryland Seafood and Aquaculture Loan Fund.

Under the tax-exempt *Traditional Bond Programs*, nonprofit organizations (501(c)(3)) can finance land acquisition and the purchase of all types of buildings and equipment. The Bond Insurance Fund is used as reserves for financial assistance provided under the Bond Programs. The Bond Programs benefit companies by providing loans for a higher percentage of the costs of the facility, at a lower interest rate, and for a longer term than conventional financing.

Through the Traditional Bond Program and its Bond Insurance Fund, the Authority may insure all or any part of the payments of principal and interest under tax-exempt economic development revenue bonds issued by Maryland counties, municipalities, industrial development authorities, and other Maryland public bodies to finance a specific facility for a manufacturing company. There is a \$5 million ceiling on the insurance for each transaction. Certain revenue bonds are exempt from federal and Maryland income tax (but not from real estate or personal property taxes). Therefore, interest rates on these bonds are generally lower than interest rates on conventional loans.

The Authority also may issue bonds under and in accordance with the Maryland Economic Development Revenue Bond Act.

Under its *Conventional Loan Program*, the Authority insures conventional loans made by financial institutions. The Authorized Purpose Insurance Fund is used as reserves for loans and other obligations insured under the Conventional Loan Program.

By the Conventional Loan Program or the Export Financing Program, the Authority may insure a loan or other obligation, or pay or insure the payment of premiums or fees for insurance, guarantees, or other credit support from a third party. Insurance provided by the Authority may not exceed the lesser of either 80 percent (or 90 percent in the case of export financing) of the sum of the principal amount of the loan or other obligations plus accrued interest thereon, or \$1 million per transaction.

To participate in programs of the Maryland Industrial Development Financing Authority, a company

must qualify generally in each of three basic categories: legal eligibility, economic impact, and creditworthiness (Code 1957, Art. 83A, secs. 5-901 through 5-941; Federal Internal Revenue Code, sec. 146).

The Maryland Industrial Development Financing Authority also administers the *Maryland Enterprise Incentive Deposit Fund*. Started in 1989, the Fund assists eligible small businesses in fixed asset financing (Chapter 822, Acts of 1989). This financing assistance is provided through the placement of a certificate of deposit with a participating lender who agrees to make a five-year term loan to the business at a loan interest rate three percent less than the rate normally charged. Concurrently, the Fund agrees to accept an interest rate on the certificate which is three percent less than the market rate on certificates of similar maturity. This assistance may not exceed \$500,000.

An eligible business is a for-profit business, employing 500 people or less, located in a county with a population of less than 200,000 and an unemployment rate of at least 130 percent of the rate for the State during the most recent four consecutive quarters.

Established in 1990, the *Maryland Seafood and Aquaculture Loan Fund* fosters expansion, modernization, and innovation in the seafood processing and aquaculture industries (Chapter 511, Acts of 1990). Administered by the Maryland Industrial Development Financing Authority, the Fund can provide a loan of up to half the cost of a project with the maximum loan being \$250,000. The interest rate on loans is fixed at a rate below the prime rate of interest at the time the loan is approved. Loans may be used for equipment, real estate acquisition, and construction of aquaculture parks, but not for working capital. The maximum loan term is 20 years.

The Maryland Industrial Development Financing Authority has nine members. Seven are named to five-year terms by the Secretary of Business and Economic Development with the Governor's approval. The Secretary of Business and Economic Development, and either the State Treasurer or Comptroller of the Treasury, as designated by the Governor, serve ex officio. The Authority appoints the Executive Director who serves as Secretary.

MARYLAND ENERGY FINANCING ADMINISTRATION

Luther B. Miller, Jr., *Director*

(410) 767-6379

Created in 1981 in response to federal funding initiatives for energy conservation and alternative source development, the Maryland Energy Financing Administration became affiliated with the Maryland Industrial Development Financing Authority in 1988 (Chapter 141, Acts of 1988).